

Business Cycle Index

The BCI is signaling a recession. We have temporarily suspended the update as no further meaningful information is conveyed by the BCI. We are adapting the graphics so that the end of a recession can be identified.

June 5, 2020

The 6/5/2020 employment report claims 13.3% UER and a total labor force 158,227,000 for mid May 2020. However the 6/4/2020 unemployment insurance report shows 29,965,415 persons claiming UI benefits week ending May 16. Thus $30/158 = 18.9\%$ UER calculated from the unemployment insurance claims for exactly the same period.

Market Signals Summary:

The MAC-US switched back into the market and the 3-mo Hi-Lo Index may do so during the course of next week. The MAC AU are out of the markets since 3/26/2020. The bond market model avoids high beta (long) bonds, and the yield curve is steepening. The Gold Coppock remains in gold but the iM-Gold Timer is in cash. The Silver Coppock model is invested in silver.

The BCI, the iM-LLI and the iM-Unemployment models all have signaled a recession

The iM-GT Timer, based on Google Search Trends volume switched out of the markets on 3/5/2020.

Stock-markets:

The [MAC-US](#) model switched out of the markets on 3/26/2020. The MAC-US model switched into the markets on 6/8/2020. The buy-spread (green line) is just below zero and will cross on Monday 6/8/2020.

The [3-mo Hi-Lo Index](#) Index of the S&P500 at +4.27% is above last week's +2.66%, and probably switch back into the market sometime next week..

The Coppock indicator for the S&P500 entered the market on 5/9/2019 and is invested. This indicator is described [here](#)

The MAC-AU model switch out of the markets on 3/27/2020. The buy-spread (green line) is rising, but far below the buy trigger line.

Recession:

Significant backward revisions in the Fed's BBK data series, cause the iM-LLI now to signal a recession warning as early as begriming February, whereas previously it was far from a recession signal. As a result we have no confidence in the BBK data thus we will discontinue this indicator.

Figure 3.1 BCIg temporarily withdrawn

The Forward Rate Ratio between the 2-year and 10-year U.S. Treasury yields (FRR2-10) is above last week's level. It is rising steeply, typically seen at a start of a recession. A description of this indicator can be [found here](#).

The iM-Low Frequency Timer switched out of the markets on 4/13/2020. A description of this indicator can be [found here](#).

Bond-market:

The [BVR-model](#) avoids high beta bonds (long-bonds) and also intermediate duration bonds.

The Bond Value Ratio is shown in Fig 4. According to the model, only when BVR turns upward after having been lower than the lower offset-line should one consider long bonds again.

The Yield Curve:

The [yield curve model](#) indicates the trend of the 10-year and 2-year Treasuries yield spread. Figure 5 charts (i10 – i2) shows that the yield curve is above last week's level. FLAT and STPP are ETNs; STPP profits from a steepening yield curve and FLAT increases in value when the yield curve flattens. This model confirms the direction of the BVR.

Gold:

The modified Coppock Gold indicator shown in Fig 6. This model generated a new buy signal end March 2019 and is invested in gold.

The [iM GOLD-TIMER Rev-1](#) is in cash since 3/16/2020.

Silver:

The modified Coppock Silver indicator shown in Fig 7. This model generated a buy signal March 19, 2020 (previously not reported).

Monthly Updates (next update July 3)

June 5, 2020

Unemployment

This model signals a recession. The end of the recession is signaled when the level of UERg starts to recede.

The 6/5/2020 employment report claims 13.3% UER and a total labor force 158,227,000 for mid May 2020. However the 6/4/2020 unemployment insurance report shows 29,965,415 persons claiming UI benefits week ending May 16. Thus $30/158 = 18.9\%$ UER calculated from the unemployment insurance claims for exactly the same period.

CAPE-Cycle-ID

Fig 9a depicts the CAPE-Cycle-ID and the year-on-year rate-of-change of the Shiller CAPE; the level switched from +2 to 0 end of April 2020. This indicator is described [here](#).

To avoid the bear market, exit stocks when the spread between the 5-month and 25-month moving averages of S&P-real becomes negative and simultaneously the CAPE-Cycle-ID score is 0 or -2. ([read more](#))

Estimated Forward 10-Year Returns

The estimated forward 10-year annualized real return 6.8% (previous 7.4) with a 95% confidence interval : 5.5% to 8.1% (previous 6.2% to 8.7%).

iM-GT Timer

The iM-GT Timer, based on Google Search Trends volume switched out of the markets on 3/5/2020. This indicator is described [here](#).

TIAA Real Estate Account

The 1-year rolling return for the end of last month is 1.77%, down from last month's 2.99%.

Please note: Past performance does not guarantee future returns, investments may increase or decrease in value and you may lose money using this model.

iM imarketsignals.com

Figure 2: Buy and Sell signals for S&P 500
from the modified golden-cross MAC-System



updated to...6/5/20





**Fig 2.1: Buy and Sell signals for the Australia All Ordinaries Index
from the MAC-AU System**

updated to Jun-5-20

last buy spread= -261.8

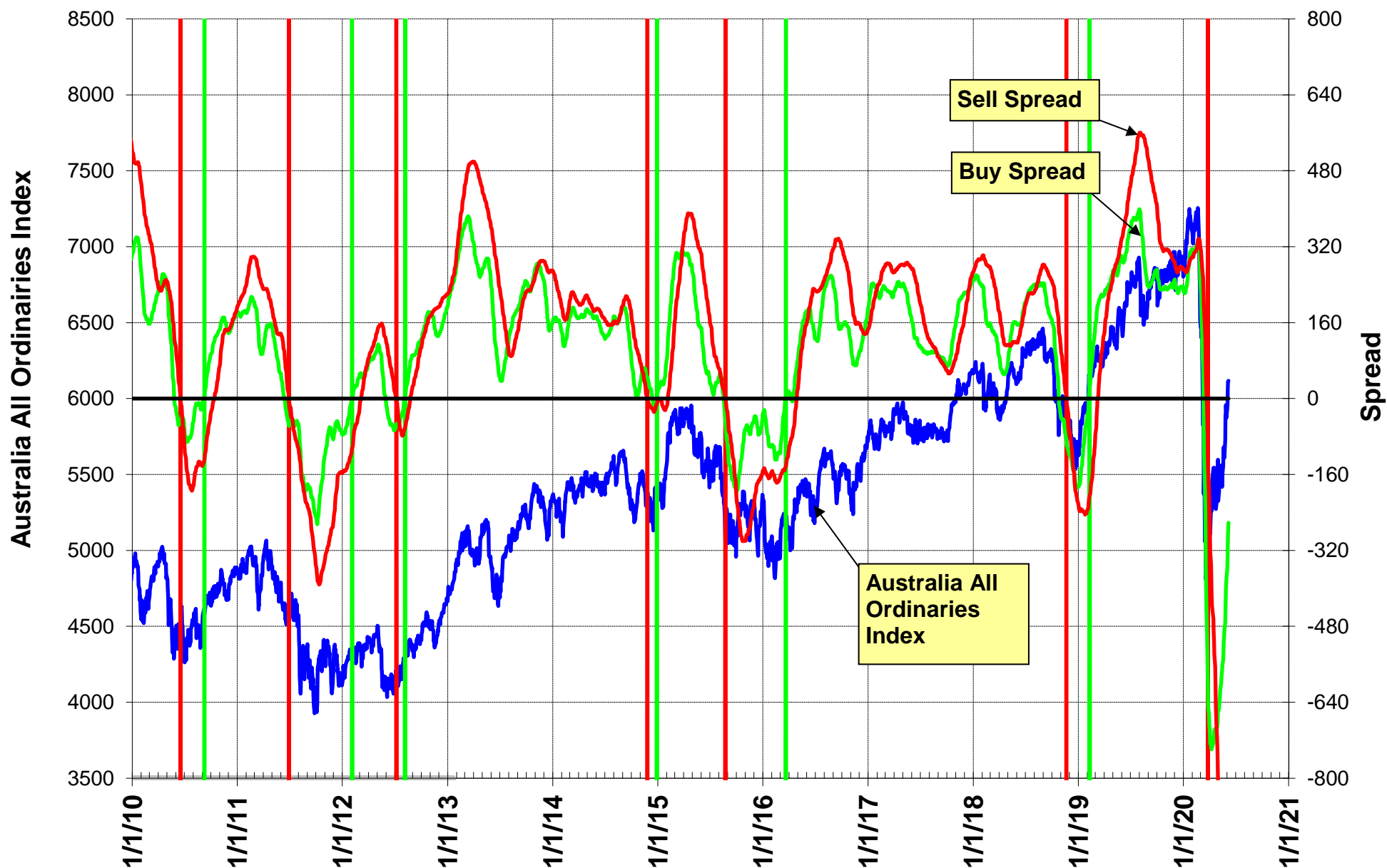


Fig 2.2 3-mo Hi-Lo Index of the S&P500 & 40-day SMA of Index

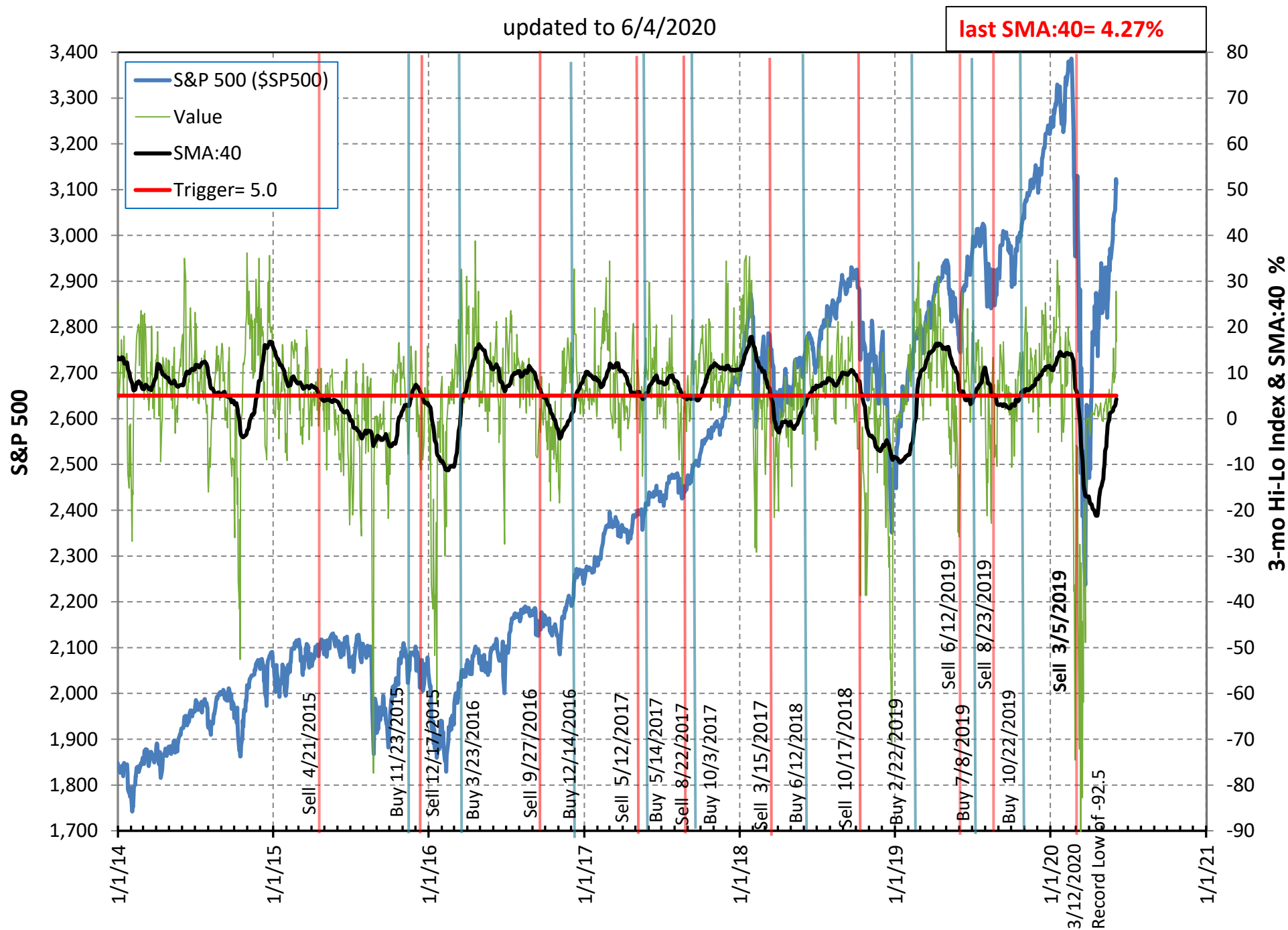


Fig-2.3 Modified Coppock Indicator for S&P500

updated to 06/04/2020

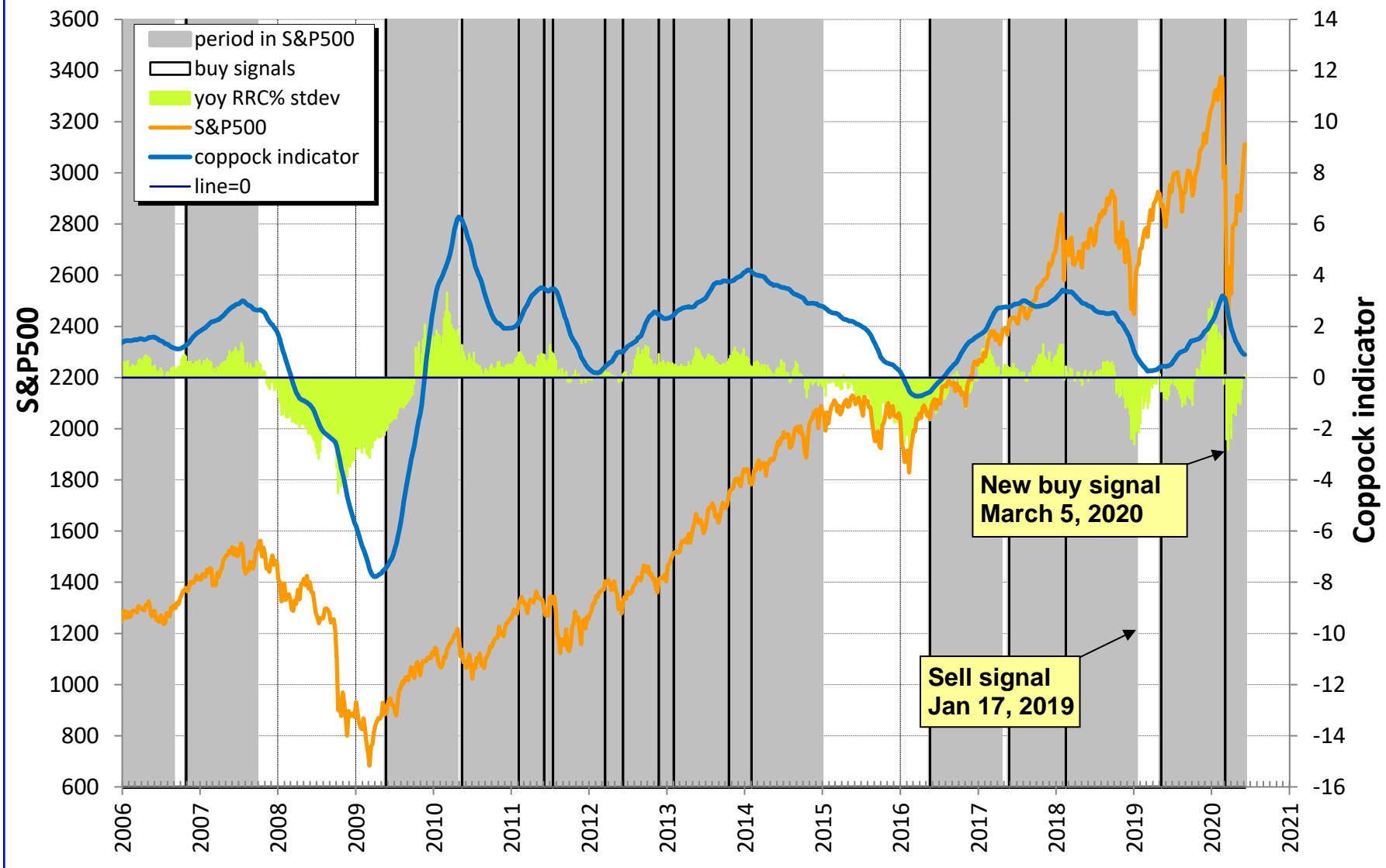


Figure 3.2: Forward Rate Ratio FRR2-10 - leads to Recessions

FRR2-10 is the ratio of the rate at which one can lock in borrowing for the eight year period starting two years from now, and the ten-year rate itself.

The FRR2-10 is indicative of the slope of the yield curve between the two-year and the ten-year note yields; a FRR2-10 greater than 1.00 indicates a positively sloped yield curve (ten-year note yields are higher than two-year note yields); a FRR2-10 less than 1.00 indicates an inversion of the yield curve (two-year note yields are higher than ten-year note yields).

The last seven recessions were all preceded by a FRR2-10 less than 1.0

Recessions start	Recessions end	Date when EMA of FRR2-10 less than 1.0	Lead to Ression start (weeks)	Lead to Ression start (years)
Jan-70	Nov-70	5/1/68	87	1.68
Dec-73	Mar-75	3/6/73	39	0.75
Feb-80	Jul-80	10/9/78	69	1.32
Aug-81	Nov-82	11/3/80	39	0.75
Aug-90	Mar-91	2/22/89	75	1.44
Apr-01	Nov-01	3/17/00	54	1.05
Jan-08	Jun-09	8/29/06	70	1.35

updated to 06/04/2020
EMA of FRR2-10 = 1.155

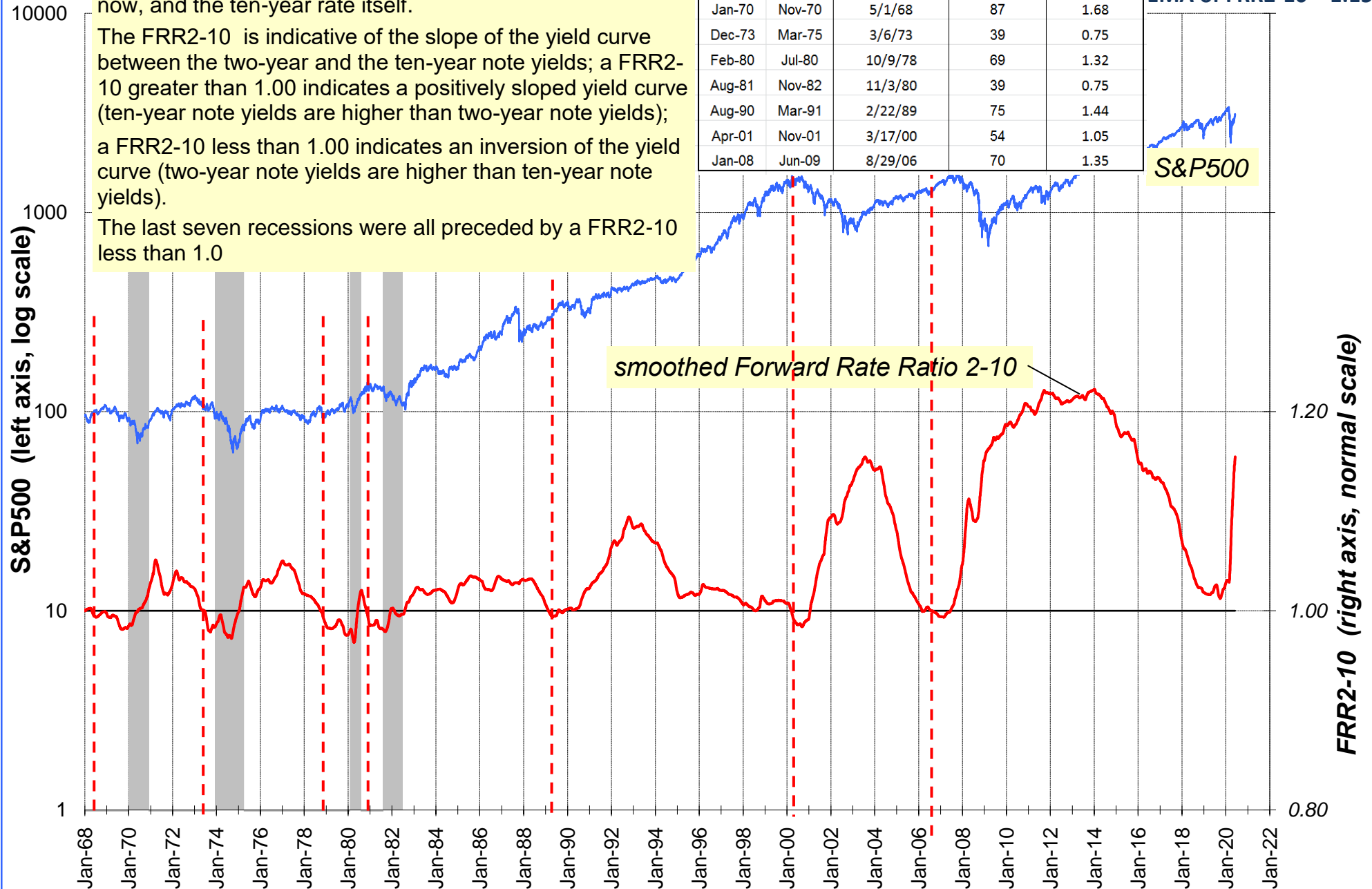


Fig.3.3 iM-Low Frequency Timer

Updated to: 6/4/2020

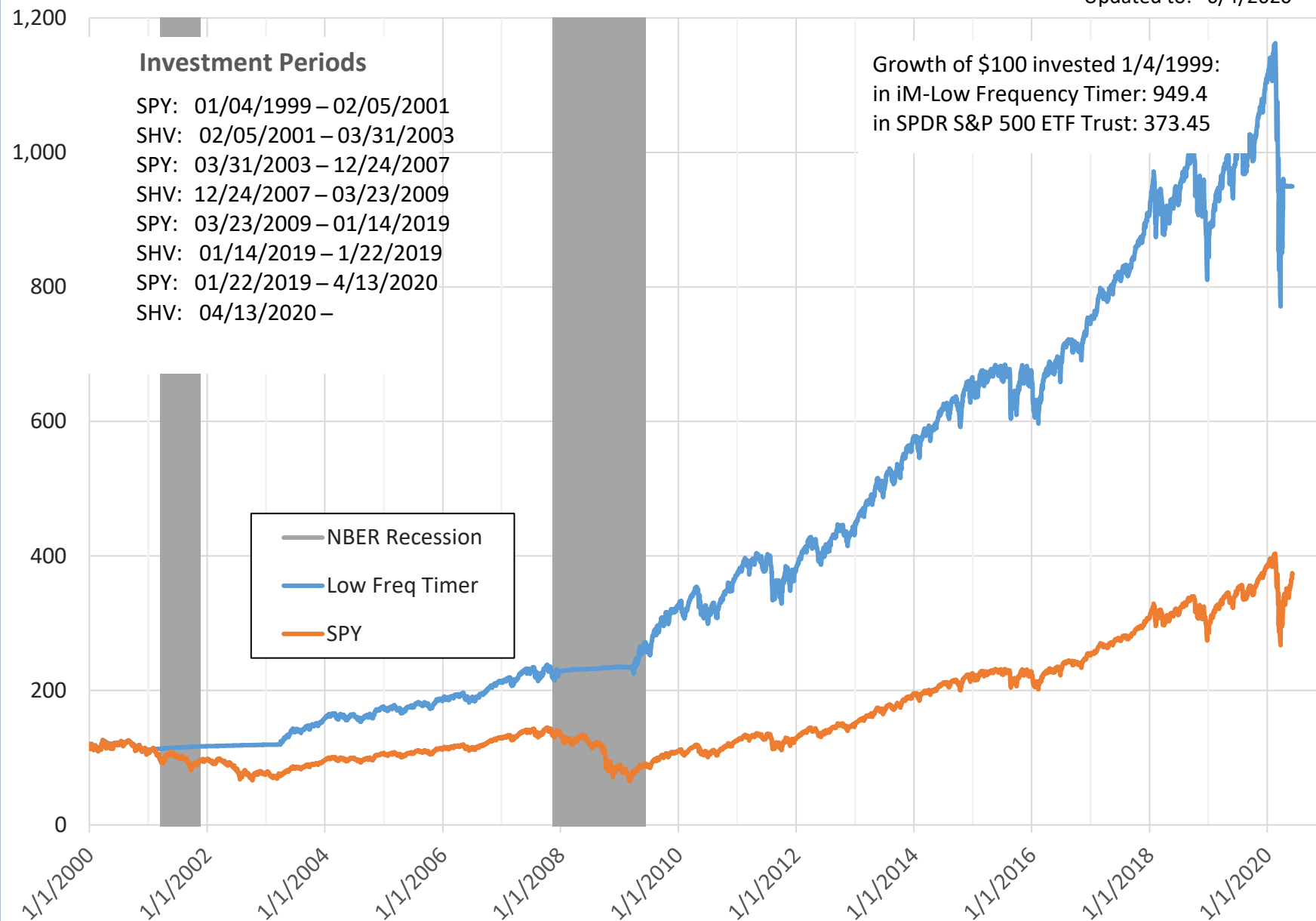
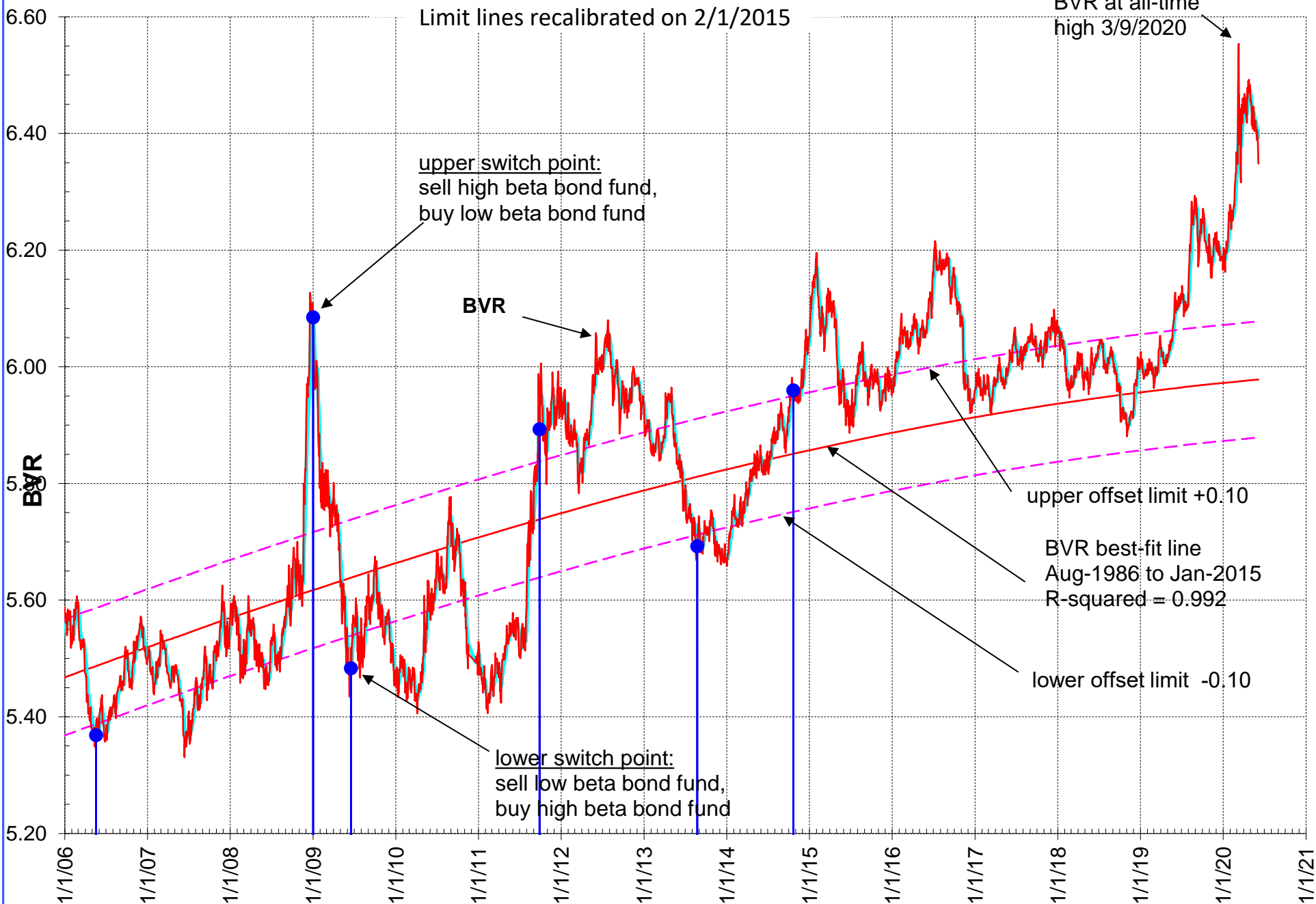


Figure 4: Bond Value Ratio (BVR)

Model updated to: 6/4/2020 BVR = 6.348



Updated to.....6/4/2020

Fig. 5: Yield Curve: i10 - i2

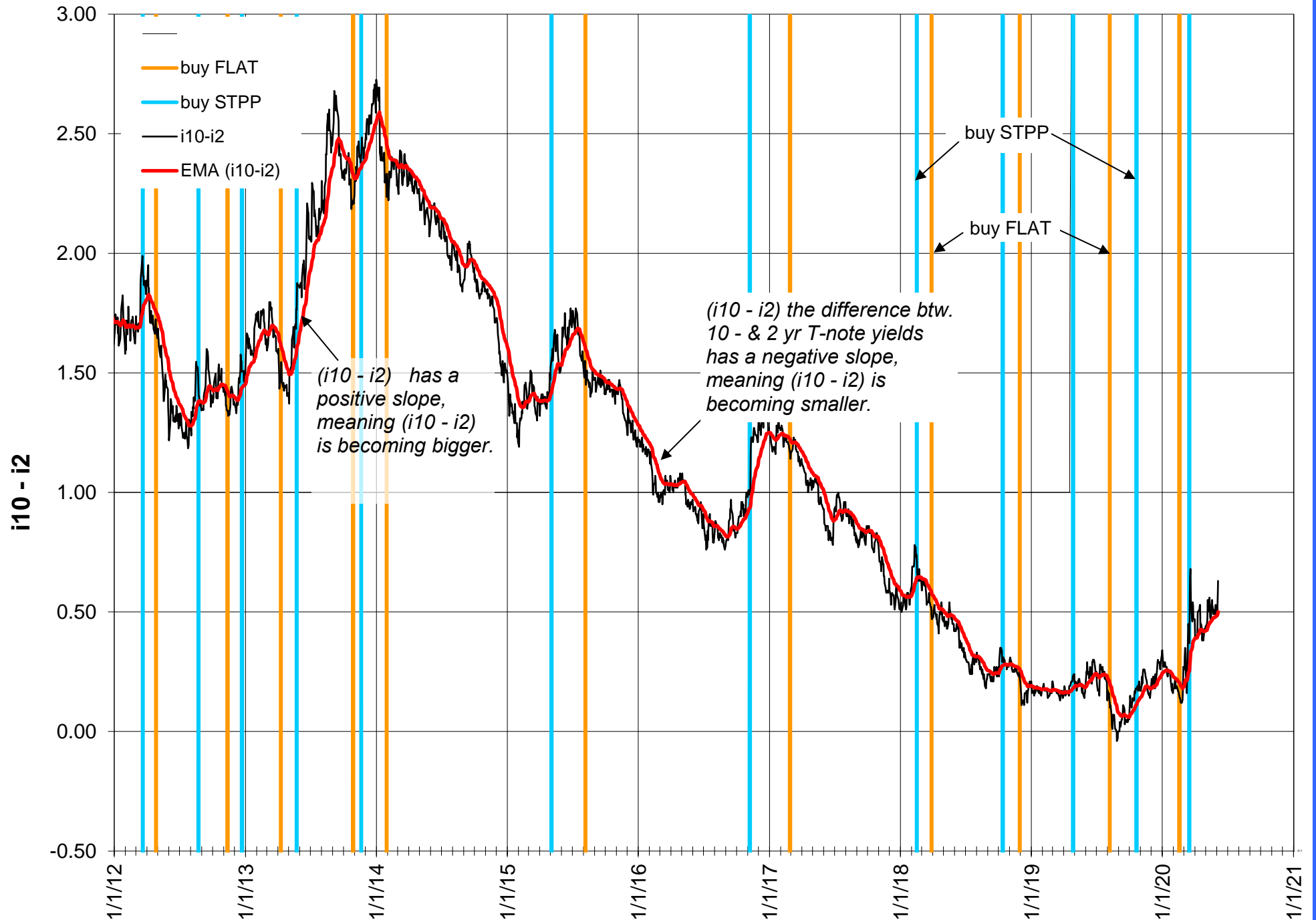


Figure 6: Modified Coppock Indicator for Gold

updated to 06/04/2020

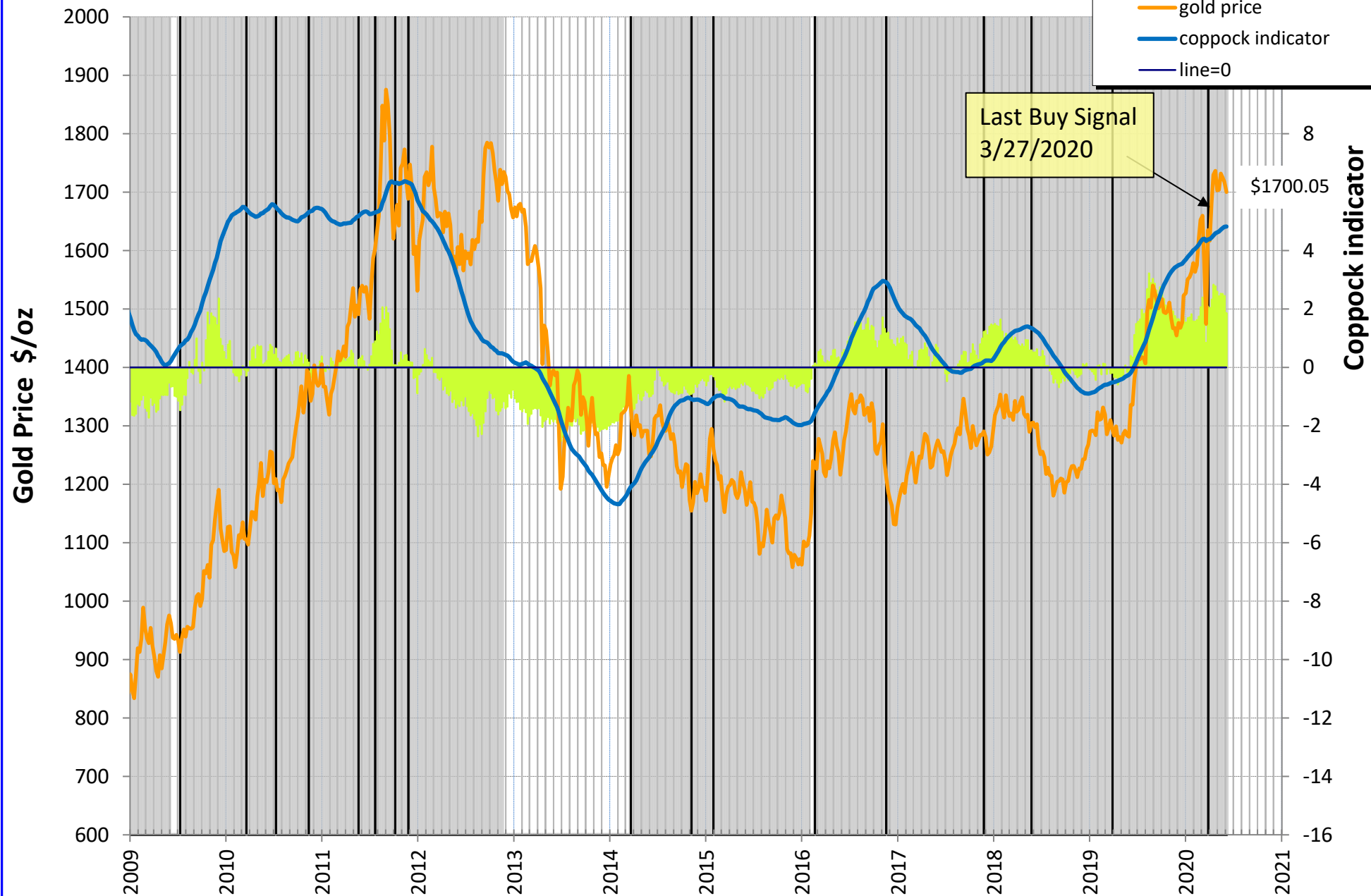


Fig. 6.1a iM GOLD-TIMER - Rev 1

Updated to: 6/4/2020

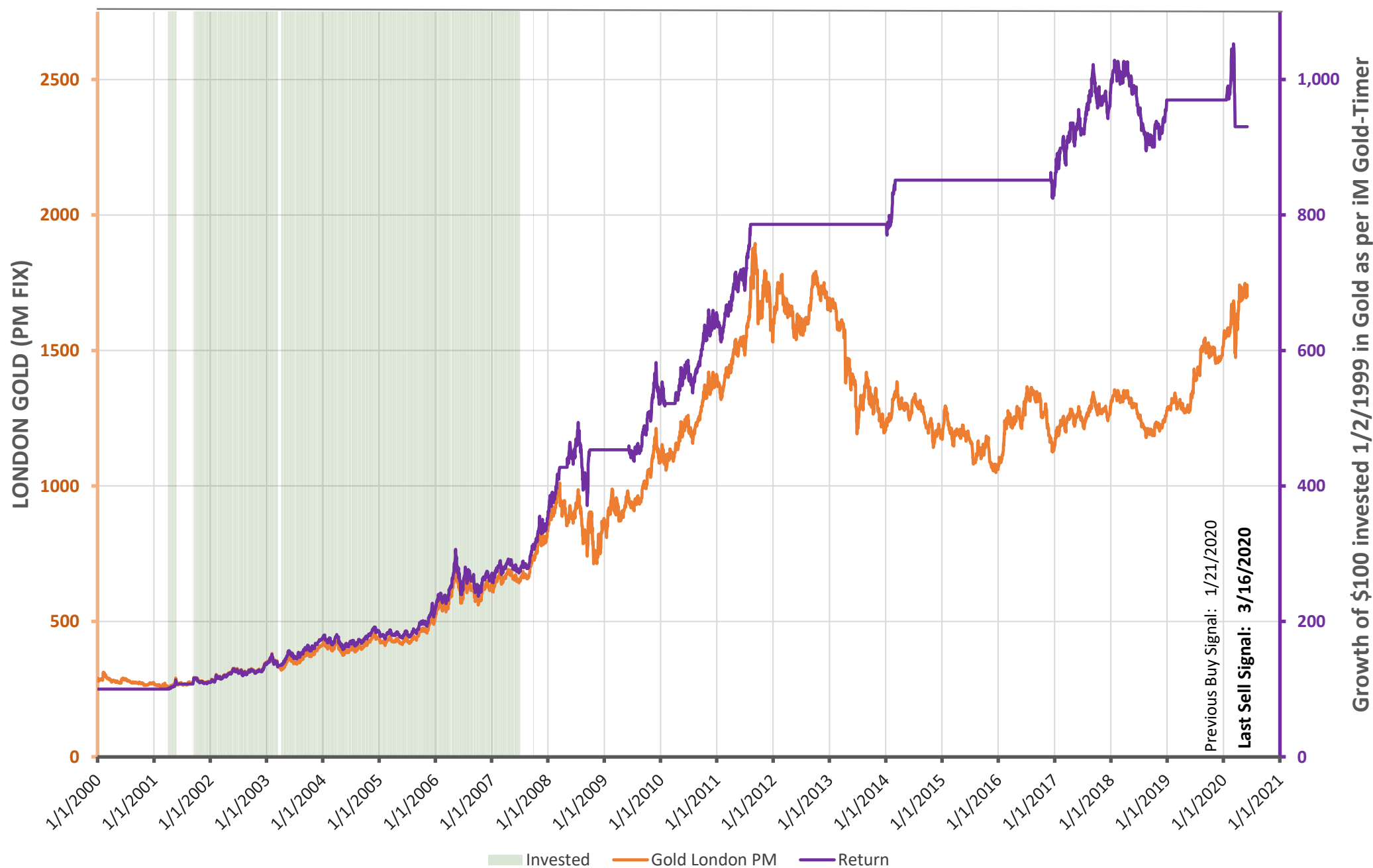


Figure 7: Modified Coppock Indicator for Silver

updated to 06/04/2020

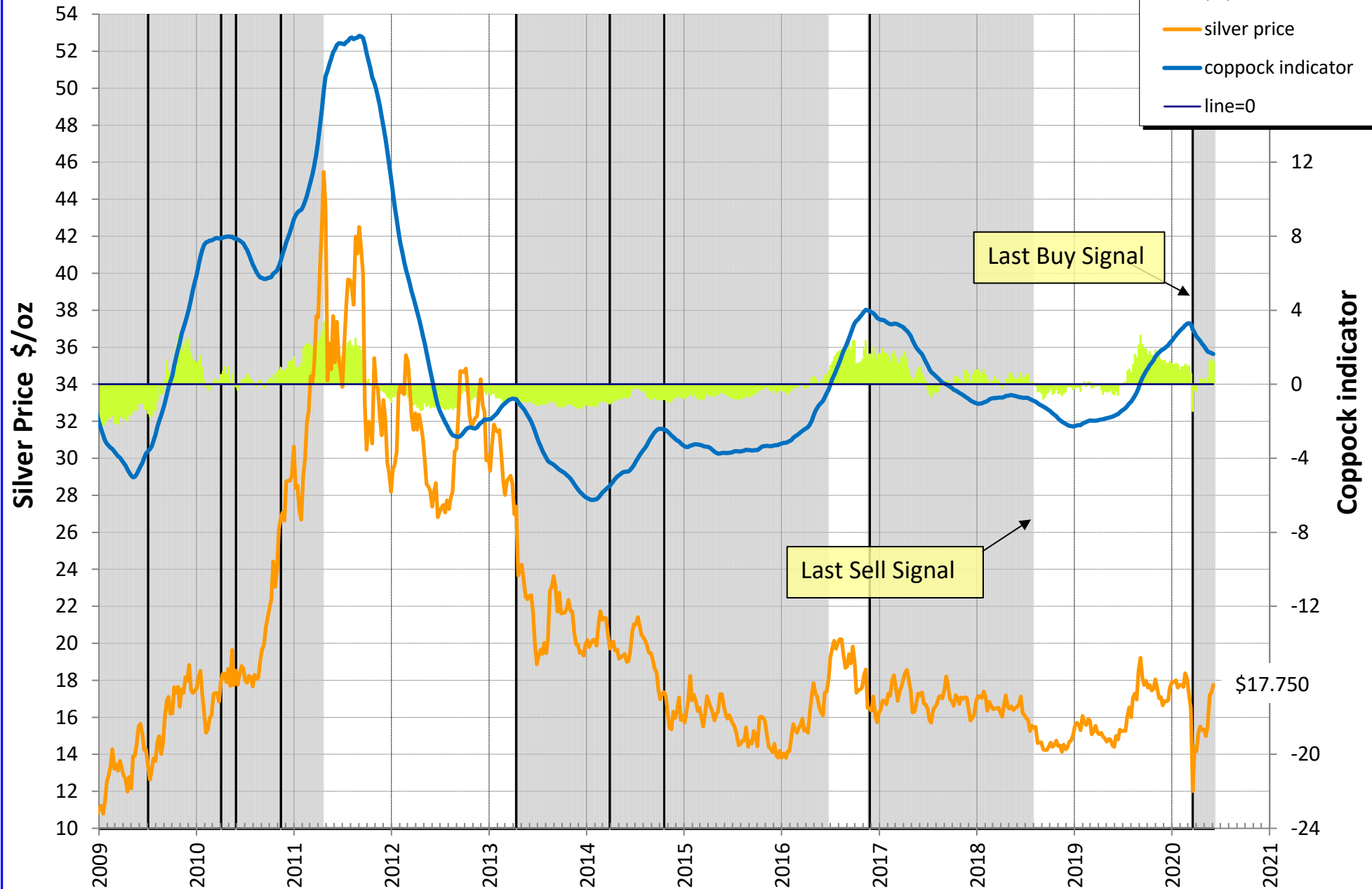


Fig-8 Unemployment Rate and Recessions (real-time) 2000-2019

Leads to recession starts and to recession ends are positive numbers in weeks, lags are negative numbers.

updated to 6-26-2020 with May UER= 13.3%

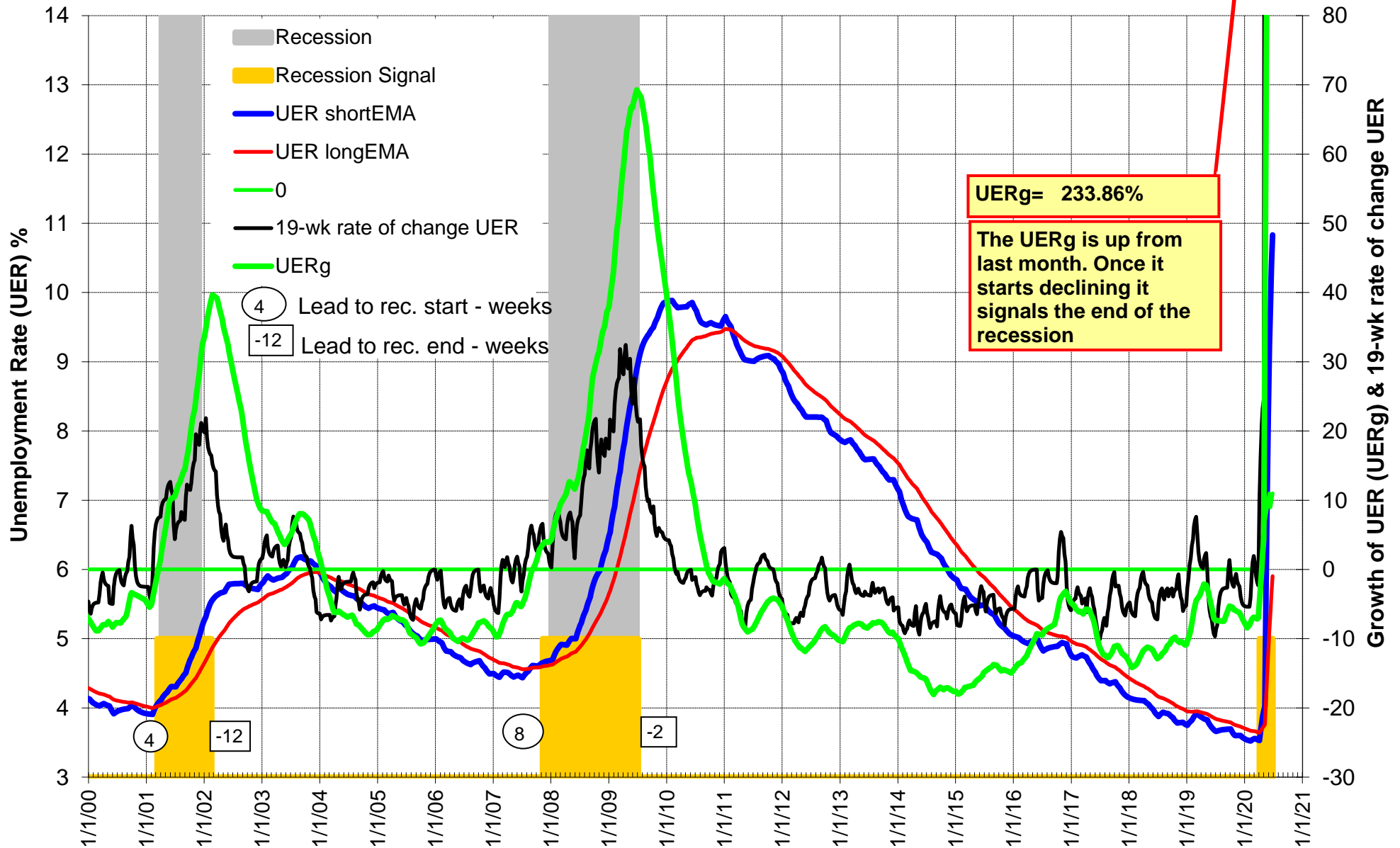


Fig. 9a CAPE-Cycle-ID and the YoY-ROC from 1990

updated to 5/31/2020

Shiller CAPE= 27.73

Spread btw 5-mo and 25-mo Moving Avg of S&P-real: (2020.02= 158,687), (2020.03= 123,866), (2020.04= 87,523), (2020.05= 66,089)

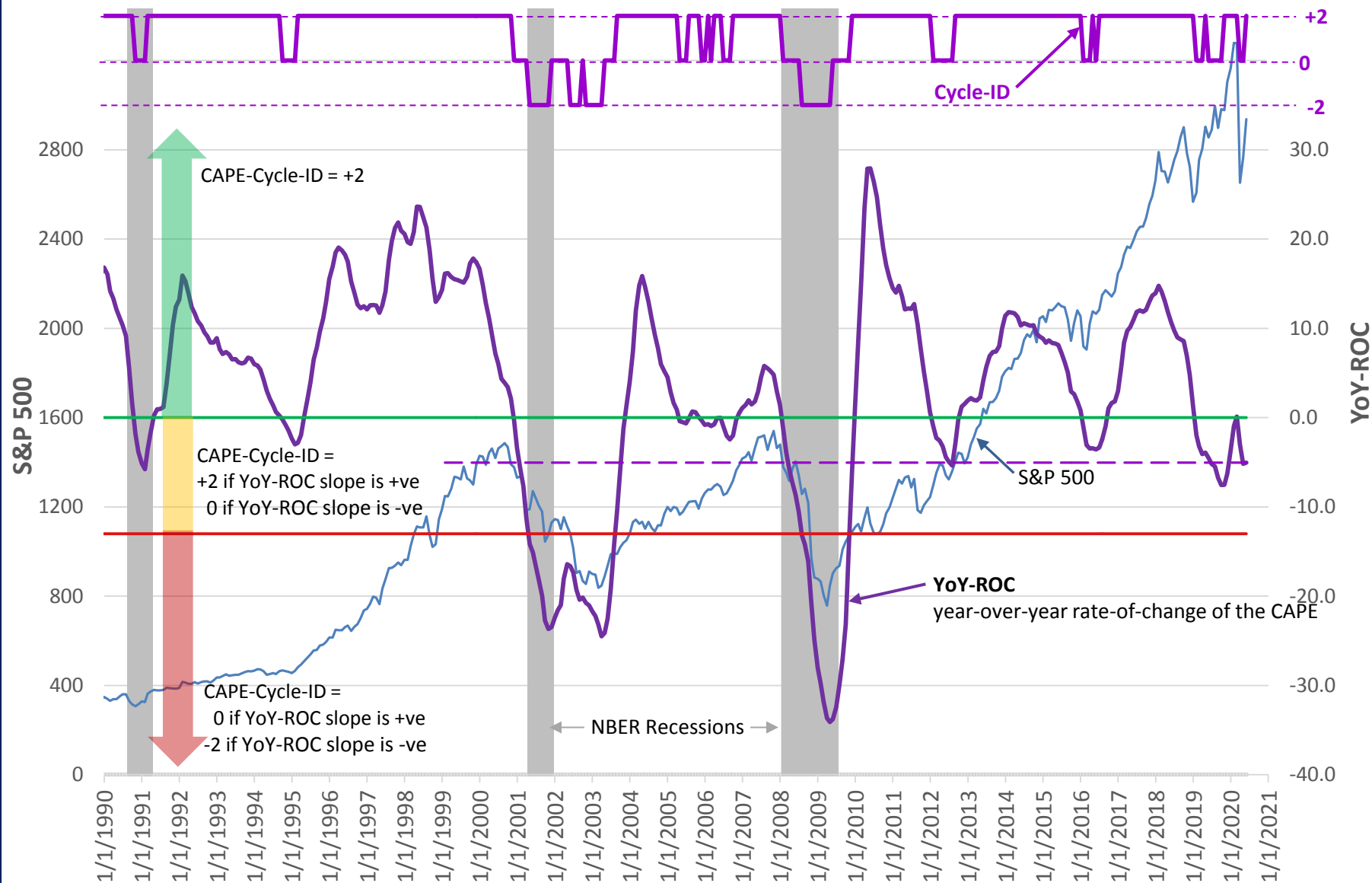


Fig 9.b Realized vs. Estimated Forward 10-year Annualized Real Returns of the S&P 500 from the CAPE-MA35 (CMA) Ratio Method

Estimated Forward 10-yr Returns are calculated from yearly regression equations, regressed on monthly data from Jan-1917 onward.

updated to 5/31/2020 Last CAPE-MA35 ratio= 1.14, previous month= 1.06

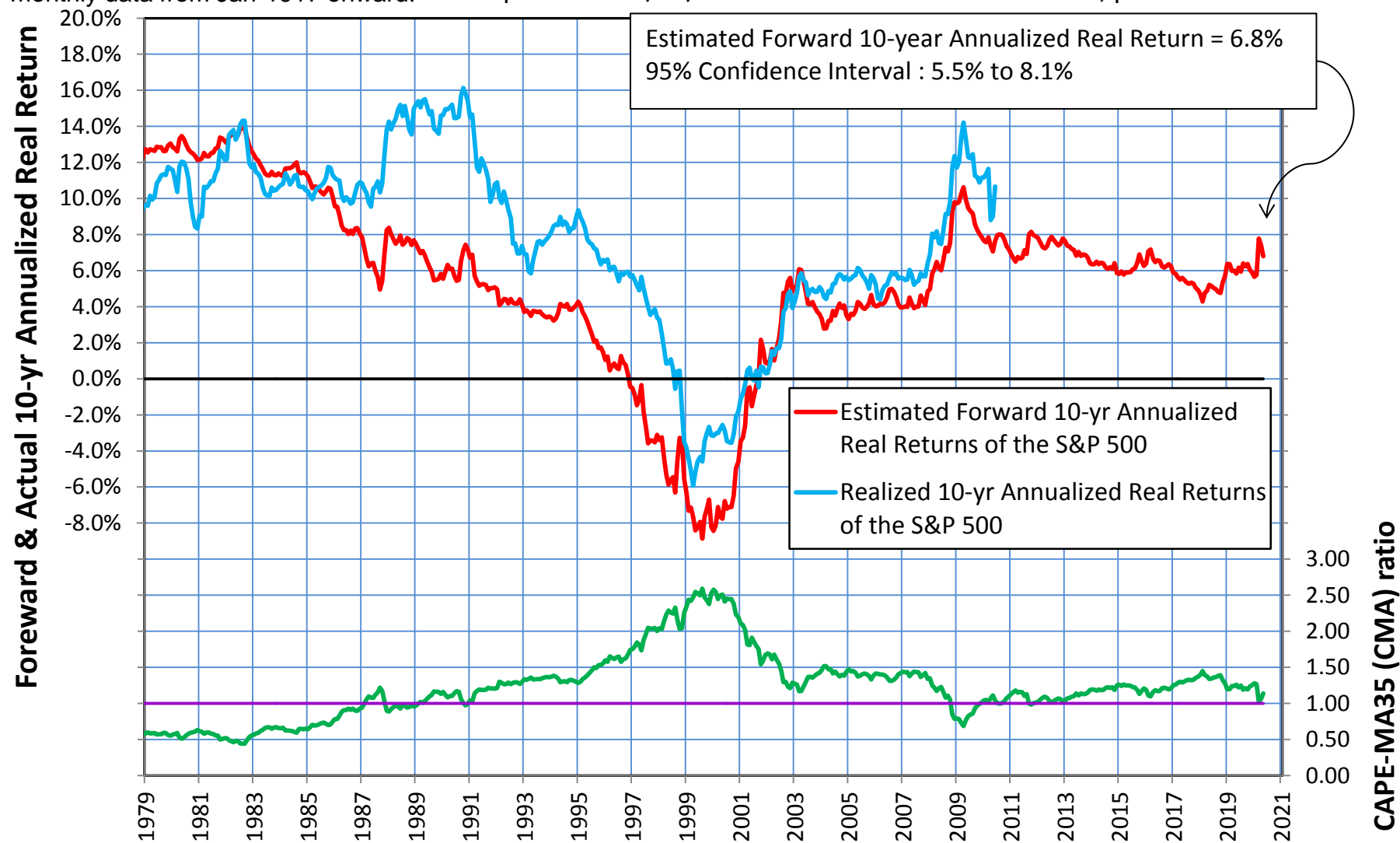
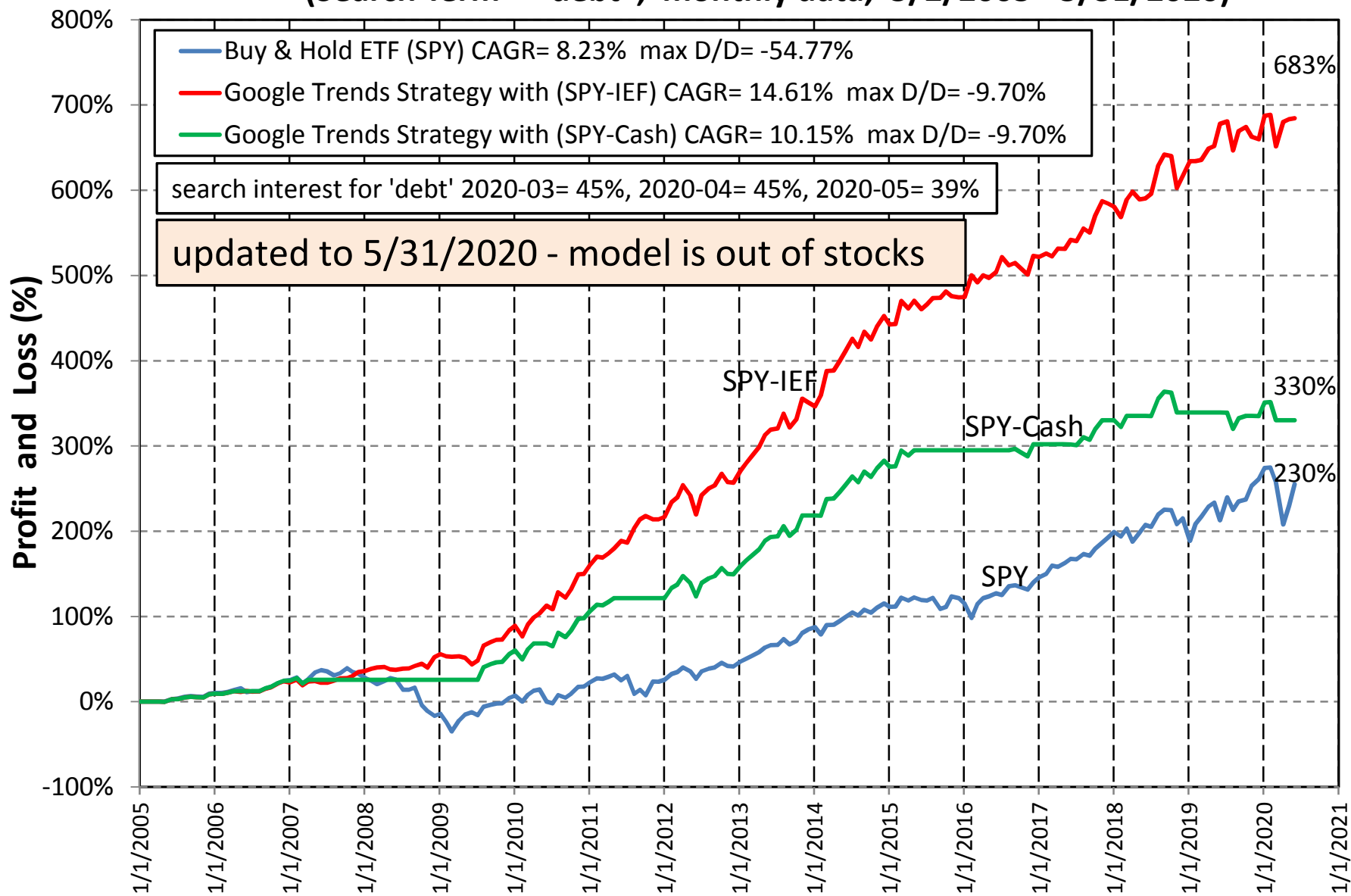


Figure-10: Cumulative Performance iM-GT Timer
(Search Term = "debt", monthly data, 5/2/2005 - 5/31/2020)



TIAA Real Estate Account vs. Vanguard REIT Index Fund (VGSIX) 2000 - 2019

updated to 6/4/20, TIAAreal current 1-year rolling return= 1.77%

